



## Implementing Initiative 695

*"People are going to watch carefully how we respond to the challenge of Initiative 695. And they are going to see a state government that listens to their concerns and responds accordingly. I don't think the voters will want to cut the legs out from under state government."*

<sup>3/4</sup> Governor Gary Locke  
November 9, 1999

**I**N NOVEMBER 1999, VOTERS APPROVED Initiative 695, which repeals the state's long-standing Motor Vehicle Excise Tax (MVET) and requires future voter approval of tax and fee increases proposed by state, county, and local governments. The initiative eliminates a \$750 million-a-year funding source for local governments, transit systems, and state transportation projects.

The Governor's supplemental budget provides \$72 million in ongoing support, and \$51 million in one-time investments, for local governments to help them maintain essential public safety and public health programs. In addition, \$200 million in one-time funding allows transit systems to maintain services while they develop long-term funding solutions. The budget also addresses Initiative 695 revenue impacts on important state programs by providing \$12.3 million for clean air programs, \$1.4 million for crime labs, and \$50 million to help finance the Transportation Account's liability for the last two MVET distributions to transit authorities.

### Three Basic Principles Guide Governor's Plan

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- **No new state tax increases** to replace Initiative 695 losses will be proposed in the supplemental budget.
- **Funding for education** will not be sacrificed to meet transportation needs.
- **Funding solutions for Initiative 695 will not require changes to Initiative 601**, the voter-approved measure setting state spending limits.

### Governor's Plan Uses State Budget Reserves in the Short Term

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The Governor's Initiative 695 implementation plan reduces state budget reserves to help address Initiative 695 impacts. Together with other supplemental budget items, proposed tax reductions, and start-up funding to reduce class size in public schools, the draw on reserves for Initiative 695 still leaves the state with \$575 million to help maintain basic services in the event of an economic downturn. Under the Governor's proposal, \$387 million in reserve funds are used in the 1999-01 Biennium to address Initiative 695 impacts. In addition, it is expected that an additional \$107 million will be provided in the 2001-03 Biennium for the same purpose, bringing the four-year total to \$490 million.

## Helping Local Governments Adjust to Initiative 695

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For the remainder of the current biennium, \$323 million is provided to partially replace revenue that local governments and transit systems lose as a result of Initiative 695. Included are:

- **Transit Funding:** \$100 million in local option sales tax credits and \$100 million in GF-S appropriations as one-time resources to help maintain critical transit services over the next several years, and to provide local transit systems time to identify long-term funding solutions.
- **Local Public Health:** \$39 million GF-S in ongoing assistance for critical public health services (rising to \$58 million in the 2001-03 Biennium). This represents 90 percent of the funding that local health services lost as a result of the initiative.
- **Public Safety:** \$33 million in ongoing assistance for public safety and other services provided by cities and counties (rising to \$48 million in the 2001-03 Biennium) and \$51 million in one-time funding to help counties to maintain critical criminal-justice programs. Some of this funding is intended to help counties meet extraordinary criminal-justice expenses.

This supplemental budget proposal includes \$63.7 million to offset Initiative 695 revenue losses affecting state programs including:

- **State Transportation Fund Liability for Local Transit Revenue:** \$50 million in GF-S appropriations are combined with Department of Transportation funds to finance a \$114 million liability for the last two MVET distributions to transit systems. The Transportation Fund is the primary source of funding for transportation programs that do not meet the “highway system” requirement for support from the Motor Vehicle Fund. The MVET was the primary funding source for the fund and is no longer available to meet the liabilities of the fund.
- **Air Quality Program:** \$12.3 million in GF-S replaces lost revenue in the state’s Air Quality Program, which monitors air quality across the state and works with local governments to meet federal clean air standards. Failure to meet federal standards can result in human health problems as well as federal intervention in local planning and business decisions.
- **State Crime Laboratory:** \$1.4 million replaces lost funding for the Washington State Patrol Crime Laboratory. The crime lab program processes criminal evidence for local law enforcement and is vital to criminal prosecutions across the state.

The supplemental budget also includes \$462,000 GF-S requested by the Attorney General to assist the state in its defense of legal challenges to Initiative 695. The funding permits establishment of a three-person legal team.

## Transportation

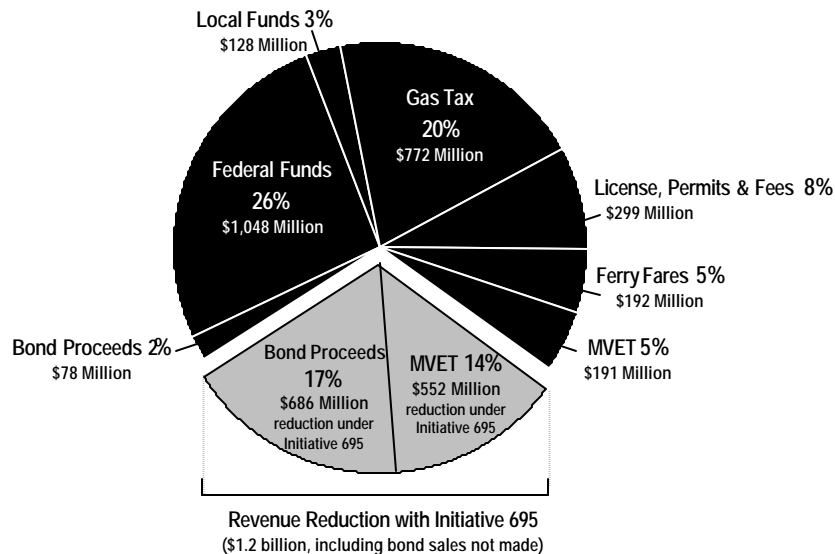
With the approval of Initiative 695, 31 percent (\$1.2 billion) of the revenue available for state transportation is eliminated from the current budget. The loss to state transportation programs includes both MVET revenues and bond proceeds that were authorized when voters approved Referendum 49 in 1998.

### Revenues Supporting the WSDOT 1999-01 Enacted Budget

Total Funds = \$3.9 billion

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\*Enacted budget = \$3.3 billion; nonappropriated fiduciary fund = \$471 million; debt service = \$160 million

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As damaging as the loss of Referendum 49 projects is to the state transportation system, even larger problems loom in the future.

Recognizing that Referendum 49 was a short-term solution, the Legislature created the Blue Ribbon Commission on Transportation to take a comprehensive look at Washington's long-term transportation needs, priorities, funding, policies, and practices. As an independent body representing a cross-section of state transportation stakeholders, the commission is looking at new ways of doing transportation business in Washington. Its goal is to identify transportation funding solutions that can be sustained for a 20-year period.

The Commission is scheduled to develop preliminary recommendations in the spring of 2000 and forward final recommendations to the Governor and Legislature in December 2000. The recommendations are expected to be considered in the 2001 legislative session.

The Commission is charged with taking up the challenges that exist for transportation funding. One of the most important tasks facing the Commission will be working with the public to ensure that the recommendations credibly address both the immediate and future transportation needs of this state.

Meanwhile, it is critical that the Department of Transportation has the resources it needs to continue to provide basic transportation services. The Governor's supplemental budget utilizes existing transportation revenues and reprioritizes current programs to continue investments in highway maintenance, preservation, operations, and safety activities. Funding also is provided for the sustained operation of key assets of the current transportation system, including basic ferry service and intercity passenger rail. Continued investments in programs such as incident response, service patrols, and other low-cost enhancements were made to improve the flow of traffic on our highways. These activities are critical as the system continues to operate at or above capacity in many areas.

## **Initiative 601 and Funding for Local Programs**

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In the current biennium, the Governor's Initiative 695 response relies on a provision of Initiative 601, which allows an increase in the spending limit when the cost of local programs is funded by the state. Under this provision, an appropriation of \$223 million is used to help support local public health, safety, and transit programs.

In order to fund transit programs in Fiscal Year 2001, the Governor proposes a \$100 million sales tax credit to allow local transit districts to keep more of the sales tax revenue generated in their communities. In this way, transit programs can get assistance without requiring an amendment to Initiative 601.

The I-601 spending limit is increased by \$223 million in the 1999-01 Biennium by these measures. All but \$72 million of this \$223 million adjustment will be temporary. As a result, the spending limit will be reduced by \$151 million after temporary, one-time funding is provided.